Economic impact assessment of the Mauritian horse racing industry

June 2019
Executive summary

The Mauritius Turf Club (MTC) is the sole horse racing organiser in Mauritius. Races are held at the Champ de Mars racecourse which is the oldest racecourse in the southern hemisphere and one of the oldest worldwide. In addition to being a popular source of entertainment to Mauritians, the equestrian sport and related events are largely appreciated by tourists visiting the island. Horse racing and related activities are among the top 15 best things to do in Mauritius as of June 2019 and the most visited sports event on the island.

EY performed an independent study finalised in June 2019 to quantify and capture the economic and social impact of the horse racing industry on the Mauritian economy. For the purpose of the Economic Impact Assessment (EIA), expenditure data and employment statistics for 2018 have been used relating to each of the components of the horse racing industry.

It is important to note that the demand stimulated by some small industries related to horse racing has been excluded from this study due to the data unavailability. Therefore, the overall impact of the horse racing industry is probably greater than what has been estimated in this study.

In 2018, the horse racing industry was responsible for generating Rs6.2 billion in GDP, creating 2,170 jobs, equivalent to Rs2 billion worth of labour income, and contributing to Rs 679M of Government revenue.

The impact of the horse racing industry goes beyond the economic contribution...

1: The total expenditure included labour expenditure.
2: Examples include demand stimulated by hawkers selling outside the race course on race day and professional horse health services besides veterinary services.
3: Gross Domestic Product measures the additional (final) value of goods and services produced. It represents the difference between output and intermediate inputs. GDP calculations have been performed in real terms (source : Oxford Economics).

Employment measures the total income earned by all labour involved in the intervention.

Labour Income Measures the number of additional jobs created as a result of the expenditures made through the intervention. Government Revenue measures the total amount of tax revenue generated for each level of government.

Rating of horse racing events on Trip advisor. Crown Lodge is rated as 5 stars out of 5 (equivalent to excellent) based on 239 reviews so far (as of June 2019)

Source: EY analysis based on stakeholders data, Mauritius Statistics, Mauritius Revenue Authority, Oxford Economics, Trip Advisor
Impact on GDP and employment

Impact of the industry on GDP

Of the economy-wide impact of the horse racing industry expenditure on GDP, 77% came from racing event attendees and punters.

Impact on GDP of total horse racing industry expenditure per stakeholder (Rs billion, 2018 prices)

The direct impact is the largest component of the total impact of the industry on GDP (Rs 4.6 billion or 74%). The balance (Rs 1.6 billion or 26%) corresponds to indirect impacts.

Impact on GDP of total horse racing industry expenditure per sector (Rs billion, 2018 prices)

Besides the community, social and personal services sector representing 94% of the impact, additional stimulus are experienced by sectors such as trade and accommodation, transport and communication, and real estate and business services.

Impact on GDP and employment

Impact of the industry on Employment

The largest single share of the industry’s contribution to employment comes from the operations of the MTC with 32% of the employment.

The substantial employment share provided by the MTC is due to the permanent nature of employment opportunities at the club and also the large number of part-time workers employed to ensure the success of racing events.

Out of the 2,170 jobs created by the horse racing industry, 766 were full-time jobs while 1,404 were part-time jobs. The MTC makes the biggest contribution to full-time employment while tote operators create the most number of part-time jobs.

In 2018, the MTC employed 700 people, comprising of 357 full-time employees and 343 part-time and race day staff. This includes race course management and administrative staff, ground staff that maintain the race course, race day officials, media staff including individuals who are involved in the broadcasting of racing events in the MTC studio and those responsible for publishing the Racetime magazine.

Source: EY analysis based on stakeholders data
Impact on Government revenue and Labour income

Impact of the industry on Government revenue

A total of approx. Rs 680 million of government revenues in 2018 and Rs 2.7 billion of betting tax paid to the Government over the last five years.

Tax revenues related to the horse racing sector totalled approximately Rs 679 million in 2018, of which bookmakers were the largest single source (63%), followed by tote operators (34%).

In 2018, betting tax from horse racing contributed approximately 29% of the total gambling revenue collected by government.

Government retention on betting revenues varies from one country to another. In Mauritius, this percentage is approx. 9.5%. This rate is in line with Hong Kong where government retains 10.5% from betting revenues.

Impact on government revenue per type of tax (Rs Million, 2018)

Ownership and training contributes the most in terms of labour income, accounting for over two thirds of the total employment impact.

Although horse owners and trainers are the second largest employer within the industry after the MTC, they contribute the most in terms of salaries. This is due to the fact that owners are obliged to pay out a percentage of their winnings from races to trainers and jockeys.

A significant share of the labour contribution is generated by the indirect impact (Rs 1,075 million or 69%), with the balance being generated through persons employed as a direct result of the racing industry spending (Rs 888 million or 31%).

Source: EY analysis based on stakeholders data
Social contribution

The impact of the horse racing industry goes beyond the economic impacts, industry stakeholders are also committed to community investments.

Racing events afford racegoers an opportunity to network and interact socially among themselves, and allow people with diverse cultural backgrounds to mingle. Horse racing is one of the main source of entertainment on the island and attracted 226,847 racegoers in 2018. Free entrance is granted to women and children which reinforces race going as a family activity.

The MTC is committed to assisting local communities. MTC contributes to a neighbourhood trust fund to cater for the needs of residents in the vicinity of the race course. Rs 250 000 were donated to this fund in 2018.

Tote operators and bookmakers contribute 2% of their book profits towards the national responsible gambling program established to give professional support to gamblers. An estimated total of Rs 11 million was contributed towards this initiative in 2018.

The Mauritius Turf Club pays special attention to the welfare of race horses that have retired from the competition by donating them to riding schools and clubs, which creates additional economic benefits.

There are currently 24 riding schools in operation which employ a total of approx. 120 people.

Note: The activities of riding schools provide additional economic benefit which has not been quantified in this study.

The MTC also allocates funds to a jockey trust which caters to the training needs of jockeys.

International Comparison

Horse racing betting revenue as a % of total revenue for the benchmarked organisations (2018)

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Horse racing betting</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTC</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>HKJC</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Gold Circle</td>
<td>68%</td>
<td>32%</td>
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<tr>
<td>Other</td>
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</table>

A striking difference of the MTC to its counterparts is the non-diversified nature of its revenue streams. The MTC relies heavily on local horse racing betting activities. SA and HK on the other hand have clubs with diversified revenue streams from other betting activities such as commingling, football betting and event organisation.

Both HKJC and Gold operate their own totalisator in contrast to MUR, where two separate private totalisators operate.

A solution to revive the industry

Commingling is mentioned as a solution to resuscitate the industry in the ‘Reviving the Horse Racing Industry in Mauritius’ report produced by the GRA in September 2018.

Rs 1 billion
Potential additional annual revenue

Commingling could potentially yield an additional Rs1 billion in annual revenue as indicated in the MTC’s National Totalisator Report.

Mauritius is not part of international commingling, where bets from different countries are pooled to generate higher dividends. The practice could present several benefits.
International Comparison

There is a clear potential to extend the activities of MTC to strengthen its positive impact on the Mauritian economy.

When comparing the Mauritius horse racing sector with South Africa and Hong Kong on key industry indicators (races per year, annual prize money, horse keep to annual prize money ratio), it is clear that horse racing in Mauritius is not performing as well as its peers.

### Race courses

Both South Africa (SA) and Hong Kong are enjoying more race courses than Mauritius resulting in the additional race meetings and races.

### Races per annum

South Africa holds the highest number of races per annum, with Hong Kong in second place. Both SA and Mauritius have an average of 8 races per race meeting compared to 9 for Hong Kong.

### Annual prize money

Hong Kong has a substantially large annual prize money pool as compared to the other two countries. On average, the prize money per race for Hong Kong is about Rs 3 million, Rs 301 388 for SA and Rs 318 644 for Mauritius. The high prize money helps to keep horse keep costs low and thus making horse racing a valuable investment vehicle.

### Horse keep to annual prize money ratio

The ratio represents how expensive it is to own a racing horse in relation to prize money. Mauritius has a ratio that exceeds 1 which indicates that the costs are higher than the corresponding prize money. In contrast, SA and HK have a low ratio which indicates that horse racing is profitable. The significant difference is not attributable to the horse keep costs which are similar for all 3 countries but rather as a result of the important difference in prize money.

Mauritius must strive for a bigger prize money pool to make horse racing appealing and therefore sustainable to owners.

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1. Annual horse keep costs divided by the annual prize money per race.
2. Hong Kong Jockey Club
International Comparison

The horse racing industry and related activities are ranked among the top 15 best things to do in Mauritius by tourists

The comparison below of the popularity of the horse racing industry and related activities amongst tourists shows the attractiveness of the activity in Mauritius, with ratings comparable to those of established worldwide horse racing destinations.

By attracting additional tourists to Mauritius, the sector has the potential to supplement its positive impact on the Mauritian economy.

<table>
<thead>
<tr>
<th>Popularity of racing as a tourist attraction</th>
<th>Ranking of top things to do in the country</th>
<th>Rating of horse racing events (out of 5)</th>
</tr>
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<tbody>
<tr>
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<td>14th</td>
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<td>15th</td>
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<td></td>
<td>6th</td>
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Source: EY analysis, June 2019, Trip Advisor

Note: Rankings have been obtained as per availability as follows: MUR: The Crown Lodge – Official tourist event organiser for Mauritian race meetings; SA – Greyville Racecourse, race course in SA, top 15 attractions of Durban; HK – Happy Valley Racecourse, main race track of Hong Kong.

Media coverage

Horse racing receives extensive media coverage locally and abroad, providing publicity for Mauritius- in addition to the economic and social impact of the broadcasting sector

TV and radio coverage

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<th>International</th>
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<td>🇲🇺 🇿🇦 🇬🇧 🇦🇺 🇨🇳</td>
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<td>Broadcast in 4 countries, showing live horse racing – provides good publicity for Mauritius</td>
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<table>
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<tr>
<th>Local</th>
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<tr>
<td>The Mauritius Broadcasting Corporation broadcasts race meetings live on TV and radio every Saturday. The event is one of the most viewed TV shows in Mauritius.</td>
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</tbody>
</table>

510,000 households reached in Mauritius and Rodrigues

Horse races are broadcast live over 4 different radio channels and each of them offer 1 hour pre-racing sessions on Friday afternoons.

Social Media

Mauritian horse racing is widely discussed over social media, with a YouTube channel of 26,000 subscribers with more than 40,000 live views during racing days and 11 million views during the 2018 racing season.

YouTube

26,000 subscribers to the MTC Studio YouTube channel

11 million views during the 2018 racing season

Over 10 Facebook pages on Mauritius horse racing with one of them presenting over 35,000 subscribers.

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1 Annual horse keep costs divided by the annual prize money per race.
2 Hong Kong Jockey Club
Source: Stakeholders interviews, 2019
Report methodology, assumptions and limitations

The Mauritius Turf Club commissioned Ernst & Young Ltd ("EY") to undertake an economic assessment of the impact of the Horse Racing Industry in Mauritius, the result of which is this Report prepared in accordance with the contract between The Mauritius Turf Club and EY dated 08 March 2019.

Use of this report and legal responsibility

The Economic Impact Assessment Report is prepared for the sole and confidential use of the MTC and for the purposes set out in the terms of the contract between MTC and Ernst & Young Ltd (or "EY"). In preparing this Report, our only responsibility and duty of care is to the MTC.

We did not, and do not by consenting to publication of this Report, assume or accept or owe any responsibility or duty of care to any other person.

The MTC has asked for our consent to making this report publicly available by posting it on the MTC website. We have agreed to provide such consent on the following conditions:

This report may not be suitable for the use of any person other than the MTC. Accordingly, sharing this report with persons other than the MTC is for information purposes only and no person other than the MTC should place any reliance on this Report.

We do not assume or accept or owe any responsibility or duty of care to any person other than the MTC. Accordingly, any person other than the MTC who, contrary to the above, chooses to rely on this Report, does so at their own risk and EY will not be responsible for any losses incurred by or any other inconvenience for any such person caused by their reliance on this Report.

Methodological approach

The quantification of economic impacts was performed by employing an Input-Output Model (IOM) based on the Input-Output Table.

The IOM generates quantitative estimates through multipliers of the amount of output, GDP, jobs, and earnings resulting from the specified change in the economy.

The specified change can be in the form of new investment in infrastructure, new developments, adoption of a new policies or services, expansion of the current operations or, as in this case, the presence of an existing industry or entity.

Any type of event does not only create direct benefits, but it also has indirect and induced effects due to the linkages between different sectors in the economy. It is important to note that only the direct and indirect impacts were measured in this report, with the induced impacts being excluded due to unreliability of their estimates.

Calculating economic contribution requires quantifying the total expenditures (including labour expenditures) and employment for the given event or operations. The analysis used data collected from surveys of industry participants, financial statements, annual reports and other documents that were made available to the engagement team to estimate industry expenditures. These expenditure estimates were then used to model the direct, indirect, and total economic contributions using an Input-Output Model.

Assumptions

The horse racing industry is defined as covering activities by horse owners, trainers, the racing club, racing spectators, bettors, tote operators and bookmakers.

For modelling purposes, it is necessary to allocate direct expenditures to the appropriate industry sectors. The horse racing industry does not exist within the National Standard Industry Classification of Economic Activities (NSIC) published by Statistics Mauritius. Therefore, expenditures have been classified according to the appropriate industry group in line with the NSIC, namely: recreational, cultural and sporting services and other business services which include professional, scientific and technical activities (e.g. veterinarian services) and administrative and support service activities.

We have relied on information from the main industry stakeholders and other secondary sources referred to in this report and have assumed that the information given is an accurate and complete account of the industry and therefore have not verified reliability of these sources unless where specifically stated. We have however reviewed the information and have satisfied ourselves, as far as possible, that the information presented is consistent with any other information obtained by us during the process of preparing this report.

Limitations

The challenge of determining the value of the horse racing industry's diverse economic contributions lies in aligning industry activities and expenditures with accepted economic models for calculating economic impact. During interviews with stakeholders, the team requested expenditures to be as detailed as possible.

Unavailability of information on expenditures and employment related to media coverage made it impossible to provide the quantitative impact of media coverage of horse racing events. A qualitative summary of the impact has been provided to address the gap.

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